

A hand holding a magnifying glass over a white circular area containing the text 'HAYPP GROUP'.

HAYPP GROUP

Full-Year report
15 February 2022

Today's presenters

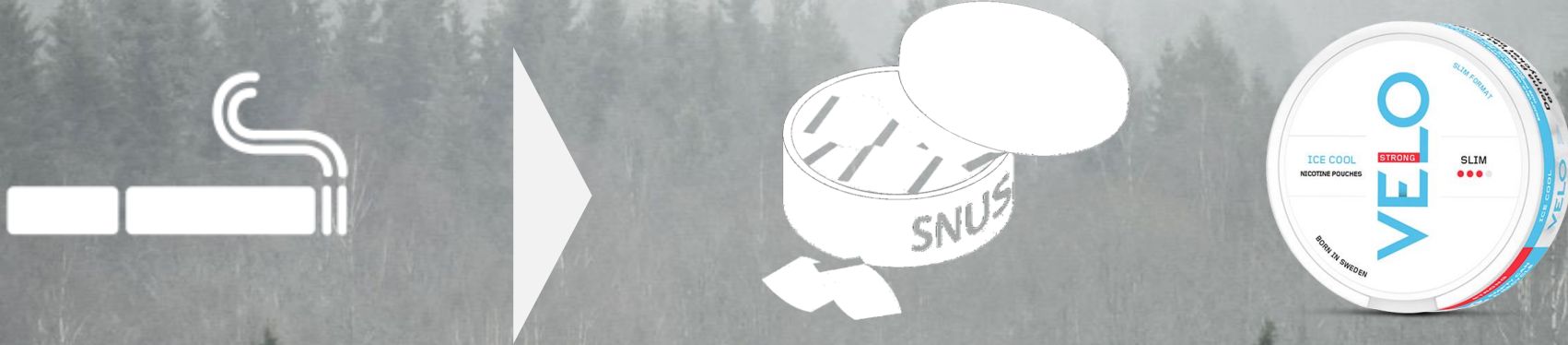


Gavin O'Dowd
CEO



Svante Andersson
CFO

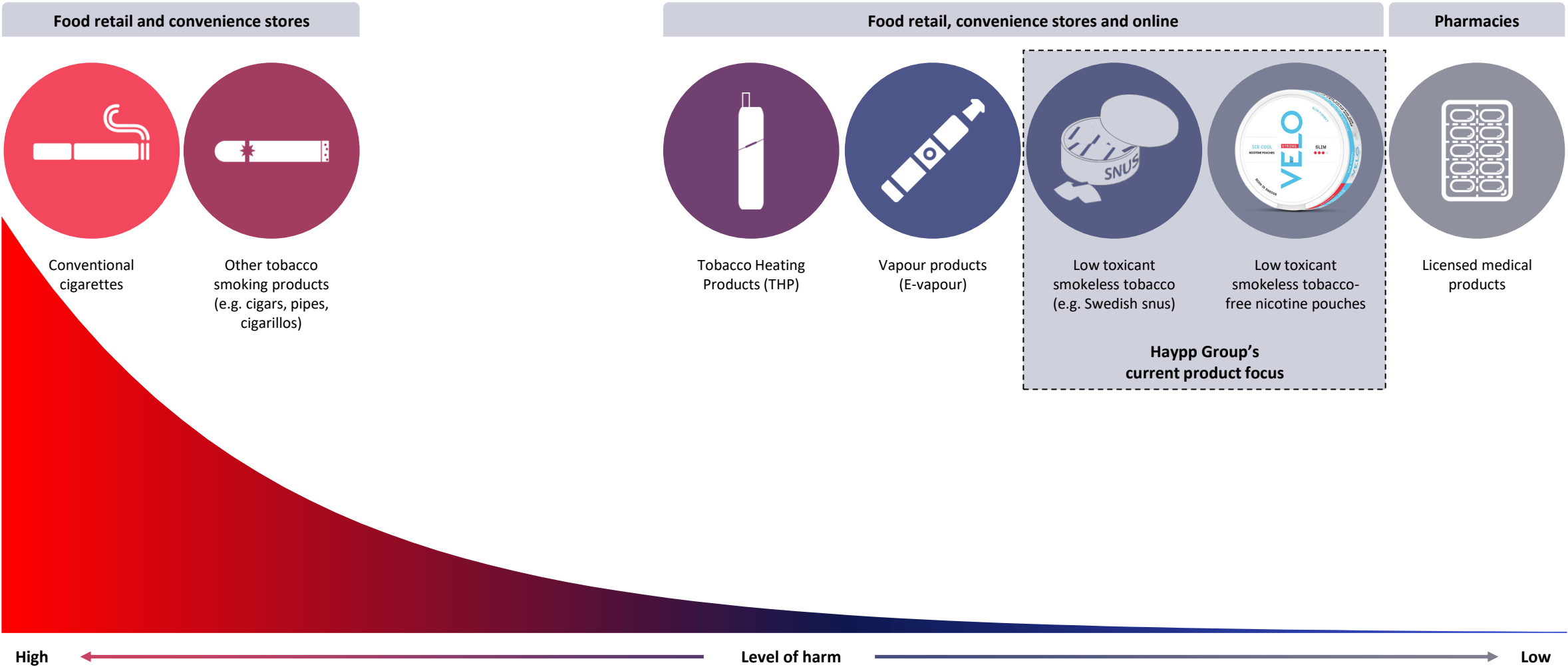
Why we exist – inspiring healthier enjoyments to millions



Focused on healthier enjoyment products

Significantly lower level of harm from modern alternatives to cigarettes

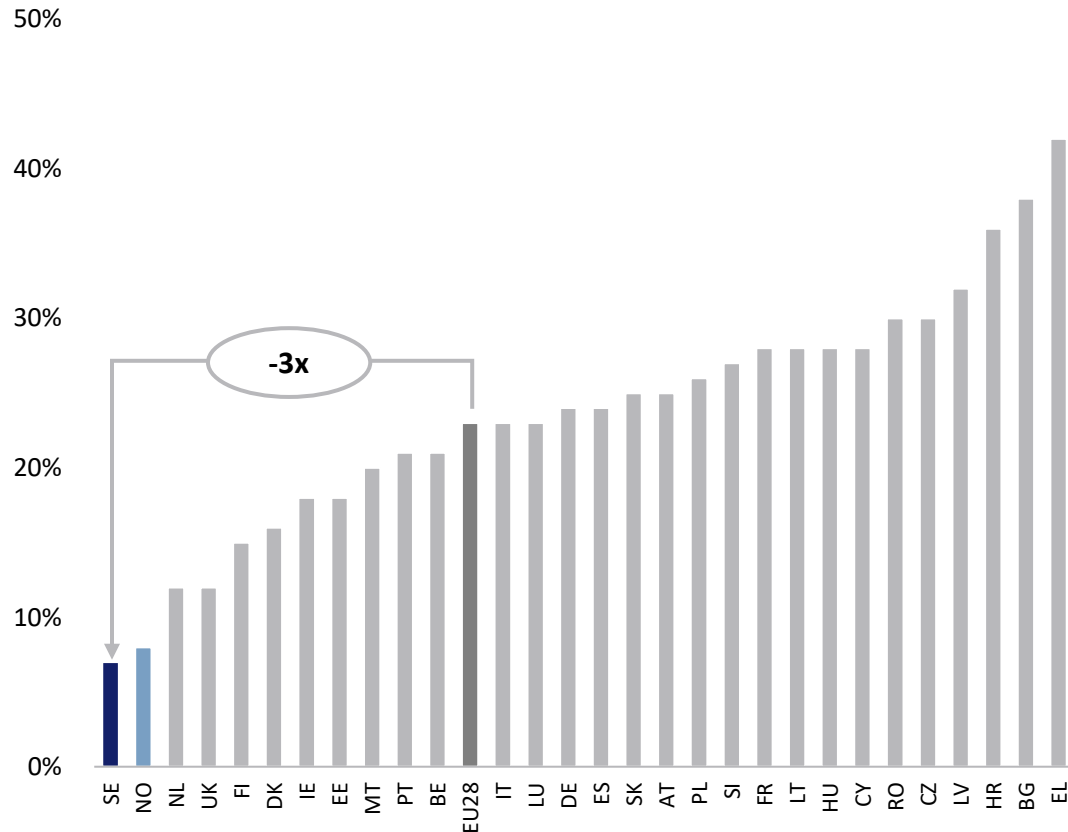
Typical
POS



...that enable the shift from harmful consumption

Significantly lower smoking incidence in Sweden and Norway

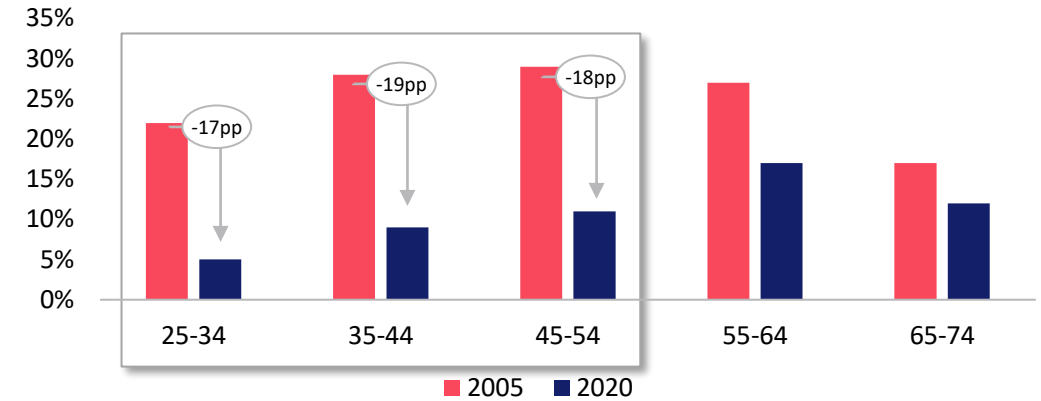
Share of population who are smokers (2020)



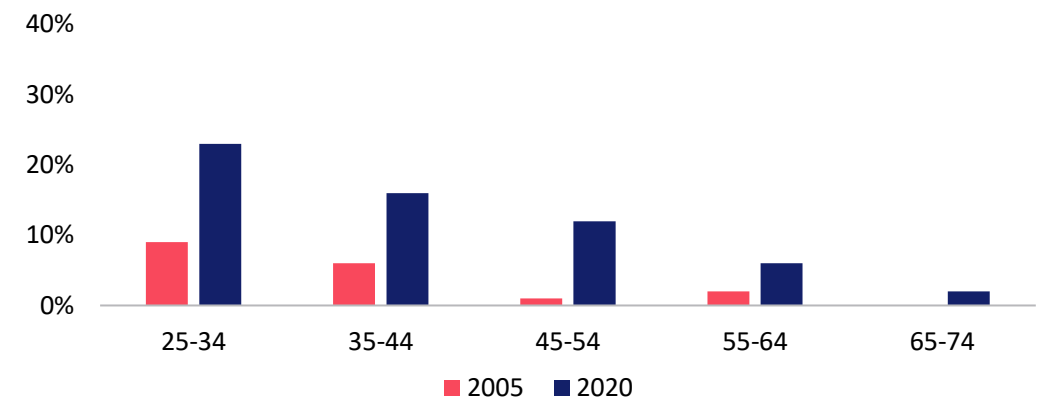
Rapid decline in cigarette consumption following the adoption of NP/snus



Share of population using cigarettes, by age category



Share of population using nicotine pouches and/or snus, by age category



Attractive online market opportunity for nicotine pouches

SEK ~27bn

Global market size¹⁾
of nicotine pouches and
snus in 2020, expected to grow to
~SEK 60bn in 2025

~30%

Nicotine pouches'
share of global market in 2020
expected to constitute ~80% in
2025 implying a CAGR of 41%

SEK ~48bn

**Expected total global profit
pool^{1), 2)}**
for nicotine pouches and snus in
2025

~11%

Online penetration
for nicotine pouches and snus in
Sweden 2020

~32%

Expected online CAGR
for nicotine pouches and snus in
core markets, EU and US 2020-
2025

Market transformation happening globally

Strong underlying market dynamics...



Strong underlying demand for less harmful products



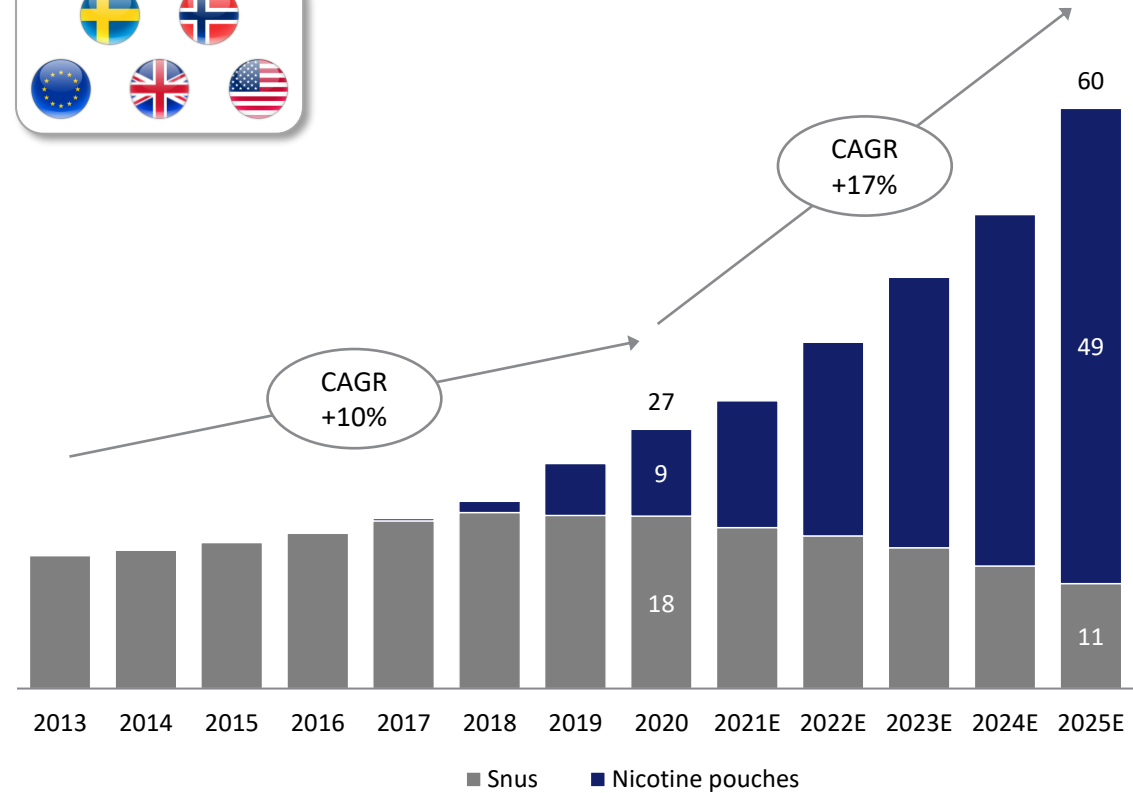
Legislation favours modern nicotine products



Suppliers push for modern nicotine products

...resulting in attractive growth for nicotine pouches

Global market for nicotine pouches and snus, SEKbn¹⁾



CAGR
2020–25

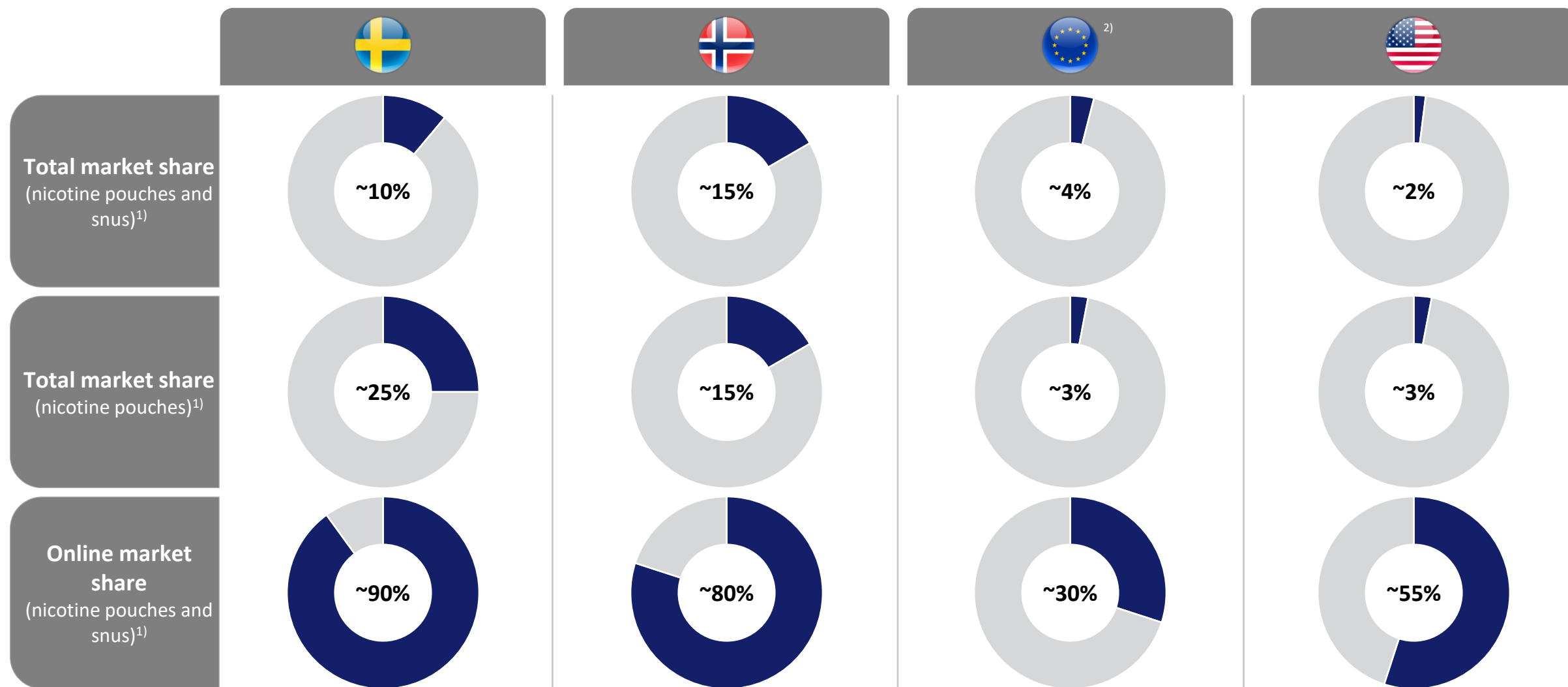
+41%

-9%

Haypp Group operates multiple store brands across all key markets...

			 ¹⁾	
Haypp Group brands	 HAYPP  SNUSNETTO	  <i>Den snusboutikk på nett</i> Snuslageret	  HAYPP GET SNUS	 NORTHERNER Your online smokeless nicotine shop  NICO KICK
Online market competitors (snus and nicotine pouches)	 CDON  MINPRILLA	 EST. SnusExpress 2006 max SNUS  Kolonial.no	 www.BuySnus.com  NIQO co.  KAUTABAK-SHOP.DE  QUEEN OF SNUS.COM	 www.BuySnus.com  PREMIUM SNUS.US  snusdirect

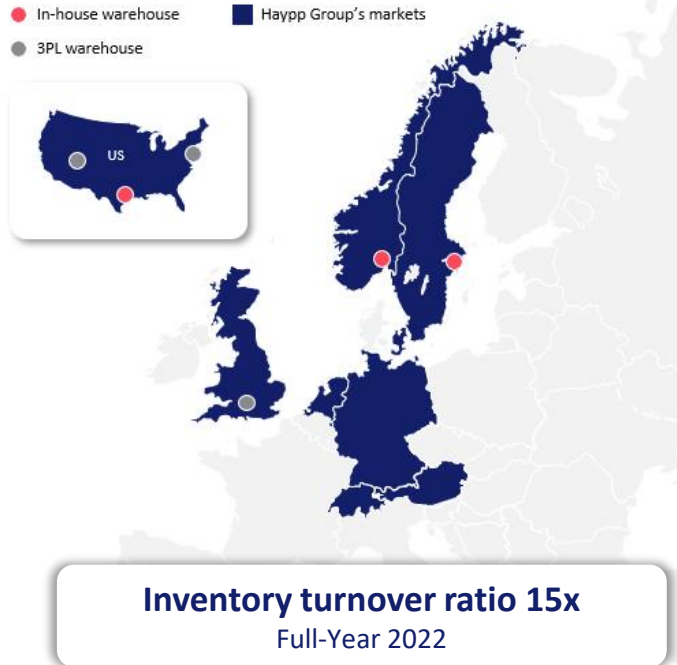
...as the leading online platform with strong foothold in nicotine pouches



Efficient infrastructure rigged for continued global expansion

Phase 1: Fulfilment infrastructure

Flexible fulfilment infrastructure serving all Haypp Group's markets



Convenience a key USP

Strategy to use a combination of in-house warehouses and 3PL-providers, subject to market maturity

Completed fulfilment expansion plan in H1 2022

- Norway successfully in-housed in Q4 2020
- Colorado 3PL launched in Q1
- Texas in-house warehouse and UK 3PL launched in Q2

Phase 2: Scalable back- end infrastructure



Further improving our system architecture

- Scalable further growth on current markets
- Efficient entry into potential new geographies and adjacent categories



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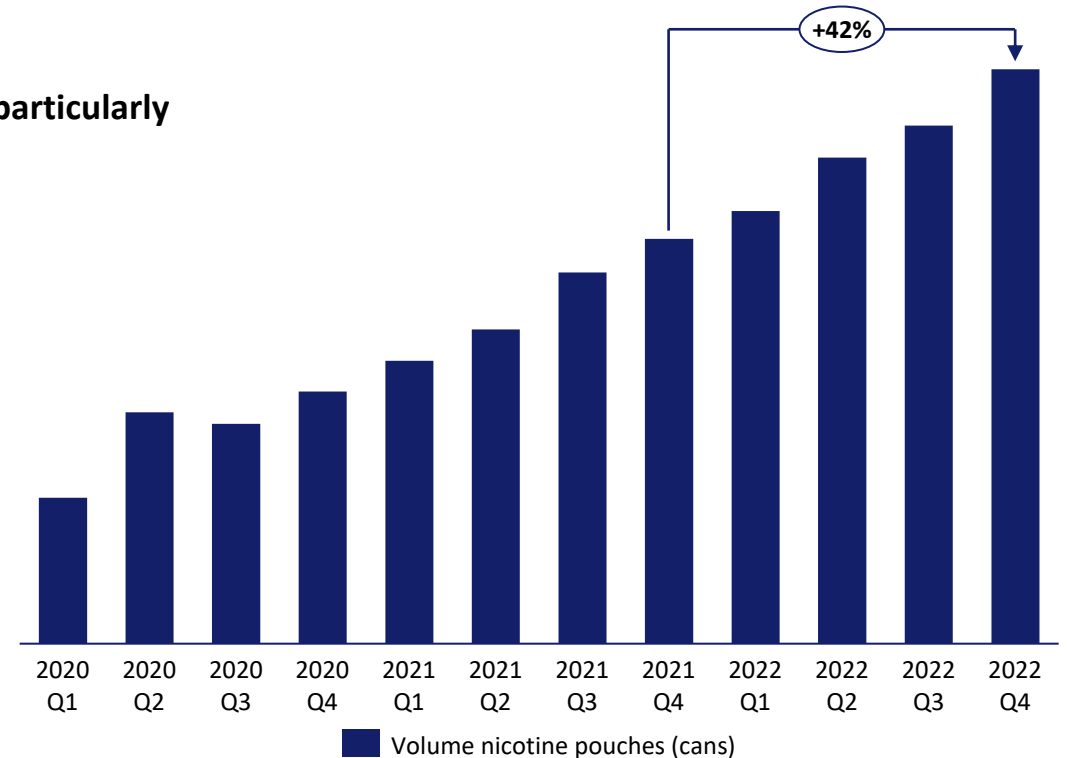
Interim Report – Q4

Operational highlights

- **Strong progress in the transformation to a global and rapidly growing category**

- The growing consumer demand for less harmful nicotine products as well as favourable regulatory development in many of the Growth markets will be two major drivers of Haypp Group's future growth.
- The volume of Nicotine pouches grew 42 per cent for the Group during the quarter and have grown 574 per cent from Q4 2019 to Q4 2022 reflecting the pre to post pandemic trend.
- Nicotine pouches accounted for 44 percent of Haypp Group's volume during the quarter compared to 36 percent in the fourth quarter of last year.
- Recently launched products accounted for 20 per cent of the total Nicotine Pouches sales.

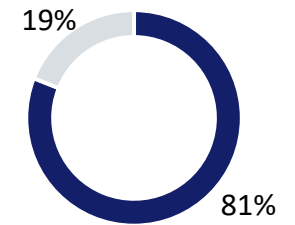
- **Continued growth in new customer and further improvements in retention rates particularly in nicotine pouches**



Financial overview

- Successful turn-around in Norway and continued strong underlying growth in all other markets. Reported Net sales for the Group increased 19 per cent and amounted to SEK 701 m (591) for the fourth quarter. In constant currency, Net sales increased 15 per cent.
- Gross margin for the fourth quarter increased by 3.1 percentage points to a higher than normal 13.9 per cent (10.8).
- Adjusted EBIT for the fourth quarter grew by 36 per cent and amounted to SEK 16 m (12). The adjusted EBIT margin increased to 2.3 per cent (2.0) mainly due to higher volume and gross margin as well as increased efficiency.
- Net sales increased 15 per cent for the full year and amounted to SEK 2,599 m (2,267). Adjusted EBIT increased to SEK 59 m (42), corresponding to a margin of 2.2 per cent (1.8).
- Cash flow for the period from operating activities amounted to SEK -32 m (-48). Adjusted for inventory build-up before the new year, a cash flow from operations of SEK 90 m was generated during the year.

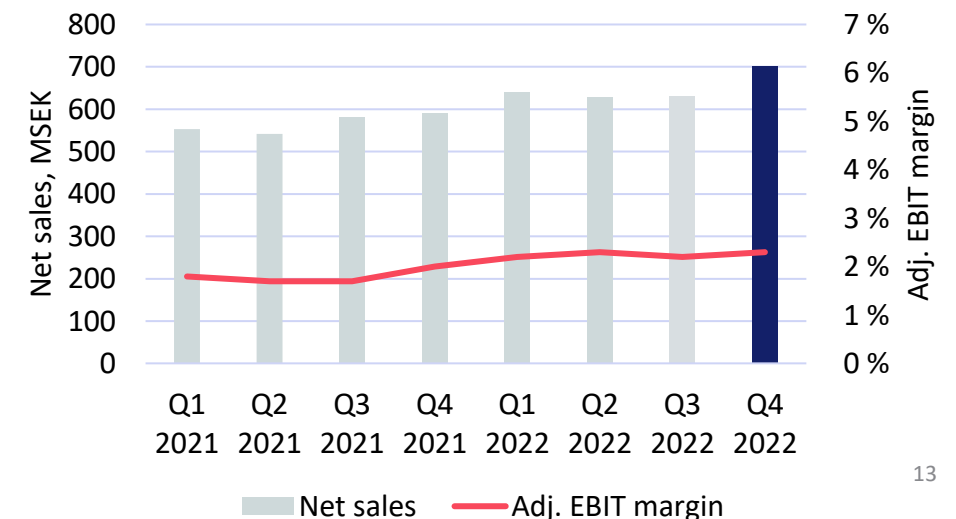
Net sales



■ Core markets ■ Growth markets

(Amounts in MSEK)	2022 Q4	2021 Q4	Full-Year 2022	Full-Year 2021
Net sales	700.5	590.5	2,598.8	2,266.8
Net sales growth, %	18.6		14.6	
Gross margin, %	13.9	10.8	12.6	11.0
Adjusted EBIT	16.0	11.8	58.5	41.5
Adjusted EBIT margin, %	2.3	2.0	2.2	1.8
Items affecting comparability	0.0	-12.3	-3.4	-35.2
Operating profit/loss	6.0	-10.4	15.2	-22.6
Profit/loss for the period	4.9	-12.7	20.1	-27.6
EPS before dilution (SEK)	0.17	-0.45	0.69	-1.19

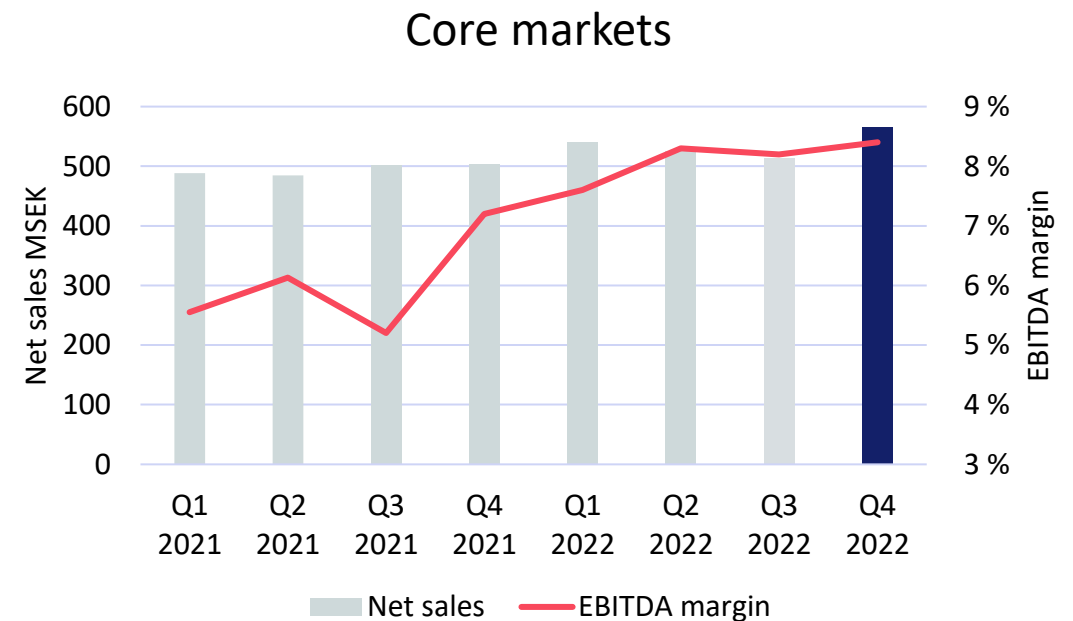
Quarterly overview



Core markets

- Net sales increased 12 per cent and amounted to SEK 565 m (504) for the fourth quarter. In constant currency, Net sales increased by 11 per cent.
- Nicotine pouches grew by 41 per cent in volume during the quarter with strong performance across both markets.
- Successful turn-around in Norway with quarter over quarter growth and continued solid performance in Sweden.
- EBITDA for the business unit amounted to SEK 47 m (36). The EBITDA margin increased by 1.2 percentage points to 8.4 per cent (7.2), mainly attributable to a higher gross margin and economies of scale, partially offset by further investment for future growth.
- Net sales increased 8 per cent for the full year and amounted to SEK 2,145 m (1,978). EBITDA increased to SEK 174 m (119), with a margin of 8.1 per cent (6.0).

(Amounts in MSEK)	2022 Q4	2021 Q4	Full-Year 2022	Full-Year 2021
Net sales	564.8	503.6	2,145.3	1,977.8
EBITDA	47.3	36.4	174.0	119.6
EBITDA margin, %	8.4	7.2	8.1	6.0
Active customers (thousand)	376	324	637	554



Growth markets

- Net sales increased 56 per cent and amounted to SEK 136 m (87) for the fourth quarter, mainly due to a strong performance in both the US, especially California, and Europe. Nicotine Pouches grew by 44 percent in volume during the quarter.
- EBITDA amounted to SEK -18 m (-15), corresponding to an EBITDA margin of -13.4 per cent (-17.6), due to continued commercial investments.
- Net sales increased 57 per cent for the full year and amounted to SEK 454 m (289). EBITDA amounted to SEK -72 m (-47), corresponding to a margin of -15.8 per cent (-16.3). The decreased EBITDA was explained by continued commercial investments.

(Amounts in MSEK)	2022 Q4	2021 Q4	Full-Year 2022	Full-Year 2021
Net sales	135.7	86.9	453.5	288.9
EBITDA	-18.2	-15.3	-71.7	-47.2
EBITDA margin, %	-13.4	-17.6	-15.8	-16.3
Active customers (thousand)	82	68	159	128



Selected KPIs

	2022 Q4	2021 Q4	Full-Year 2022	Full-Year 2021
Operational				
Number of orders (thousand)	1,029	909	3,862	3,397
Average order value (SEK)	640	621	634	625
Active customers (thousand)	459	392	796	682
Balance sheet				
Inventories (MSEK)	222.8	142.0	222.8	142.0
Net working capital (MSEK)	229.5	69.8	229.5	69.8
Net debt (MSEK)			185.1	46.0
Investments (MSEK)			-49.3	-245.9
Net debt/Adjusted EBITDA, times			1.8	0.7
Equity/Total assets ratio, %	58.5	61.4	58.5	61.4
Cash flow				
Cash flow from operating activities (MSEK)			-32.4	-48.3
Closing cash and cash equivalents (MSEK)			15.2	49.1



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Financial targets and strategy

Financial targets

Growth

- Haypp Group targets to reach net sales of at least SEK 5bn by 2025, predominantly through organic growth.

Profitability

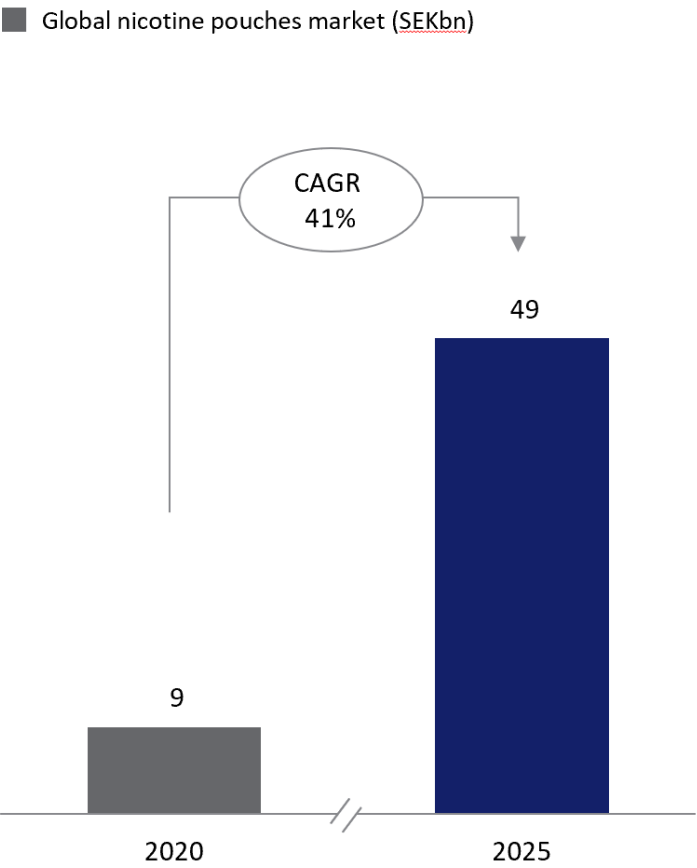
- Haypp Group will prioritise growth over profitability and targets to reach a high single digit adjusted EBIT margin in the medium to long term.

Dividend policy

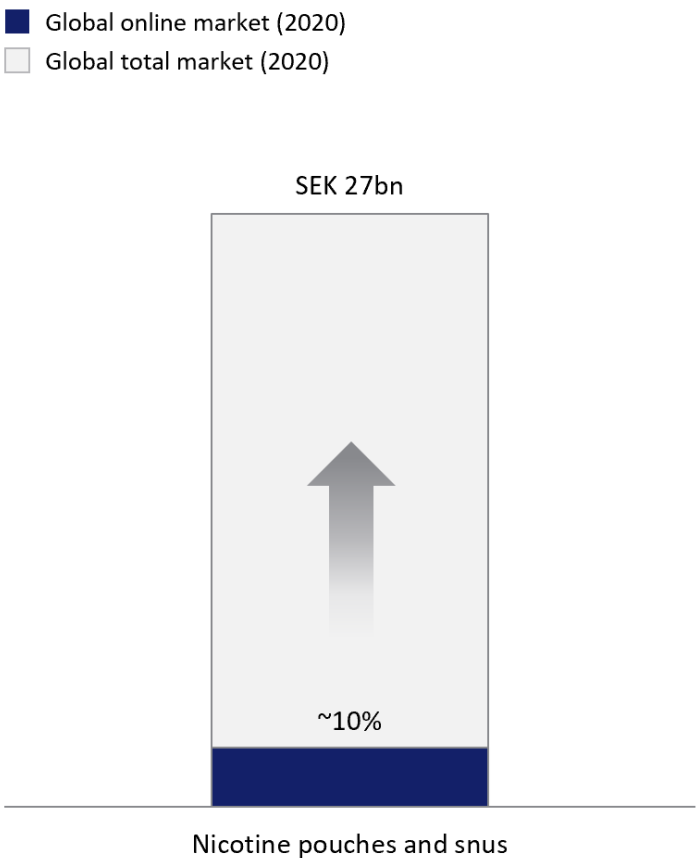
- In the upcoming years, the board of Haypp Group will primarily use the generated cash flows for the company's continued expansion.

Significant growth opportunities in maintaining market leading position

Strong category growth



Increasing online penetration



Leveraging our market leading positions



Current trading

- **Favourable market trends and the transition to the Nicotine pouches category runs according to plan**
 - Harm reduced categories, continue robust growth across both Europe and the US. Within harm reduction nicotine pouches remained the fastest growing category.
 - The non-cyclical nature of the nicotine category combined with the price advantages online lead to stronger performance relative to other online categories.
 - Limited impact from inflationary pressure, and minor product price increases from our suppliers are offset by the positive effects of an increasing demand from consumers seeking safer nicotine alternatives at attractive prices.
- **Focusing on growth**
 - Successful turn-around in Norway creates a solid platform for profitable growth in nicotine pouches in Core Markets.
 - Sustained strong development in Growth markets – positive momentum from regulation in California.
 - Haypp Group continue to lead the industry regarding product standards.
 - Strengthened organization across key areas to support our growth ambitions.
- **Well positioned to take advantage of a rapidly growing international market and reach our financial targets**
 - Proven revenue model of acquiring and retaining customers through a strong value proposition hinged upon a broad assortment, convenient ordering and shipping and compelling prices.
 - Partner of choice for the industry for recent wave of new launches, new launches accounts for circa 20 per cent of the nicotine pouch volume.
 - Enhanced digital infrastructure including e.g. back-ends, e-commerce platform and consumer insights enabling us to release benefits across markets with greater scale.
 - A strong balance sheet, non-cyclical product characteristics, and a capital light business model enables us to remain flexible in the current economic environment and capture emerging opportunities to further improve on our position and profitability over time.

Key investment highlights

